



## **CITY OF HAYWARD**

### **AGENDA REPORT**

AGENDA DATE 07/17/01

AGENDA ITEM II

WORK SESSION ITEM           

**TO:** Mayor and City Council

**FROM:** Director of Public Works

**SUBJECT:** Authorization for the City Manager to Execute a Ground Lease Between City of Hayward and Ascend Development HWD, LLC, at the Hayward Executive Airport

#### **RECOMMENDATION:**

It is recommended that City Council approve the attached resolution that approves the negative declaration for the Ascend Development hangar project and authorizes the City Manager to execute the Ground Lease with Ascend Development HWD, LLC.

#### **BACKGROUND:**

Several years ago, the City approved a lease extension with Flightcraft, Inc., one of the Airport's tenants. As a condition of the lease extension, Flightcraft (currently Trajen Flight Support, Inc.), was obligated to construct aircraft-related facilities on the Airport with a minimum investment of \$2,500,000. To that end, Trajen, along with Airport staff, began negotiations for the pending development. At this time, Ascend Development HWD, LLC, a subsidiary of Trajen Flight Support, is proposing a plan to construct six corporate hangars on Airport property adjacent to the control tower building. Their plan for corporate hangar development will exceed the minimum investment required of the Flightcraft lease extension. This development will be adjacent to Trajen Flight Support, Inc. and between the control tower building (Airport administration offices) and Skywest Drive (Exhibit A).

#### **DISCUSSION:**

In anticipation of this project, the Airport Master Plan Update assumes six corporate hangars to be constructed in the area adjacent to the control tower. The Airport Master Plan Update also demonstrates a huge demand for corporate and T-hangar aircraft storage units on the Airport. Such evidence is verified through the lack of available hangars in the Bay Area, as well as from the hundreds of names on each of the Airport's official hangar waiting lists. In order to address this hangar shortfall, the Master Plan identifies several hangar project locations and design layout plans. Marketing data prepared by the proponent, as well as from the information presented in the Master Plan, prompted Ascend to request discussions with City staff for the development of corporate hangars. It is expected that the corporate hangar project will be completed within the next two years.

The Council's Airport Committee reviewed this development concept at its meeting of April 26, 2001 and concurred with the project as proposed.

## **ENVIRONMENTAL REVIEW**

An environmental Initial Study was conducted for the project proposed by Ascend. The City considers the Ascend project (six corporate hangars) to be an independent project and separable from all other elements of the Master Plan Update. This consideration is pursuant to the California Environmental Quality Act (CEQA). Additionally, the Ascend project has been under development and the subject of discussions between the parties since 1997, one year before the Master Plan Update was initiated. More importantly, the project meets the standards for independent review established by CEQA Guidelines Section 15165. In other words, the Ascend project is not a necessary precedent for action on a larger project (e.g., the Master Plan Update), nor does it commit any agency to a larger project with any significant environmental effect. Approval and implementation of the Ascend portion of the project is not required by or dependent upon, and does not require or cause, approval and implementation of the Master Plan Update. Because the Ascend project has independent utility from the Master Plan Update, the City prepared an Initial Study for the Ascend project. Based on the conclusions of the Initial Study, which identified no significant impacts of the project that cannot be mitigated to a less-than-significant level, City has prepared a Negative Declaration. A *Notice of Intent to Adopt a Negative Declaration* was posted and circulated as of June 15. The Public Review Period ended July 16. No comments on the Negative Declaration had been received as of the preparation date of this report.

The Ascend Corporate Hanger Project is subject to the normal city planning and review process.

## **TERMS OF AGREEMENT:**

The Ground Lease conforms with the City's 1998 methodology for rent standardization. Additionally, the proposed project is consistent with the Airport's 1997 Strategic Business Plan and the updated Airport Master Plan (currently in progress).

With respect to rent standardization, in July of 1998, the City established a methodology for rent standardization and uniformly applies this rent structure to all new aviation leases. Accordingly, this policy is applicable to all future leases, including renewals or rent adjustments of existing leases, unless invalidated by the terms and conditions of any existing lease agreement. Some of the key terms of the new lease policy (incorporated into all three agreements) are:

1. A standard land value (rent) for all users utilizing the same or similar facilities.
2. Rent adjustment at 5 year intervals based on alternating CPI and market adjustment factors
  - Commencing January 2003, and every 10 years thereafter, there will be a rent adjustment based upon 75% of the Consumer Price Index (CPI) increase from the previous 5-year period with a maximum increase of 7%.
  - Commencing January 2008, and every 10 years thereafter, there will be a periodic appraisal and comparable land value review subject to adjustments determined through

an analysis of rental rates, fees and charges of similar aeronautical land at comparable airports in the Northern California region.

3. The current standardized rental value is \$0.22/sq.ft. per year
4. This is a proposed 50-year Ground Lease covering 158,663 square feet.

#### CONCLUSION:

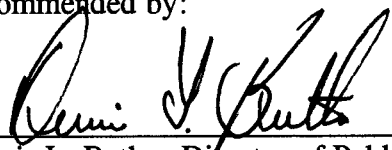
Through this development plan, Ascend Development HWD, LLC will provide the Airport with an excellent opportunity to achieve an increase in the inventory of corporate aircraft storage units as identified in the Airport Master Plan. Additionally, the Airport will benefit from increased revenue through the ground lease of approximately 158,663 square feet of land, increased income from fuel flowage fees (fuel sales), and an increased allocation of personal property taxes derived from each of the corporate aircraft based at Hayward.

A copy of the agreement is available for review in the Office of the City Clerk.

Prepared by:

  
\_\_\_\_\_  
RR Brent S. Shiner, Airport Manager

Recommended by:

  
\_\_\_\_\_  
Dennis L. Butler, Director of Public Works

Approved by:

  
\_\_\_\_\_  
Jesús Armas, City Manager

Attachments:

Exhibit A – Master Plan Hangar Concept

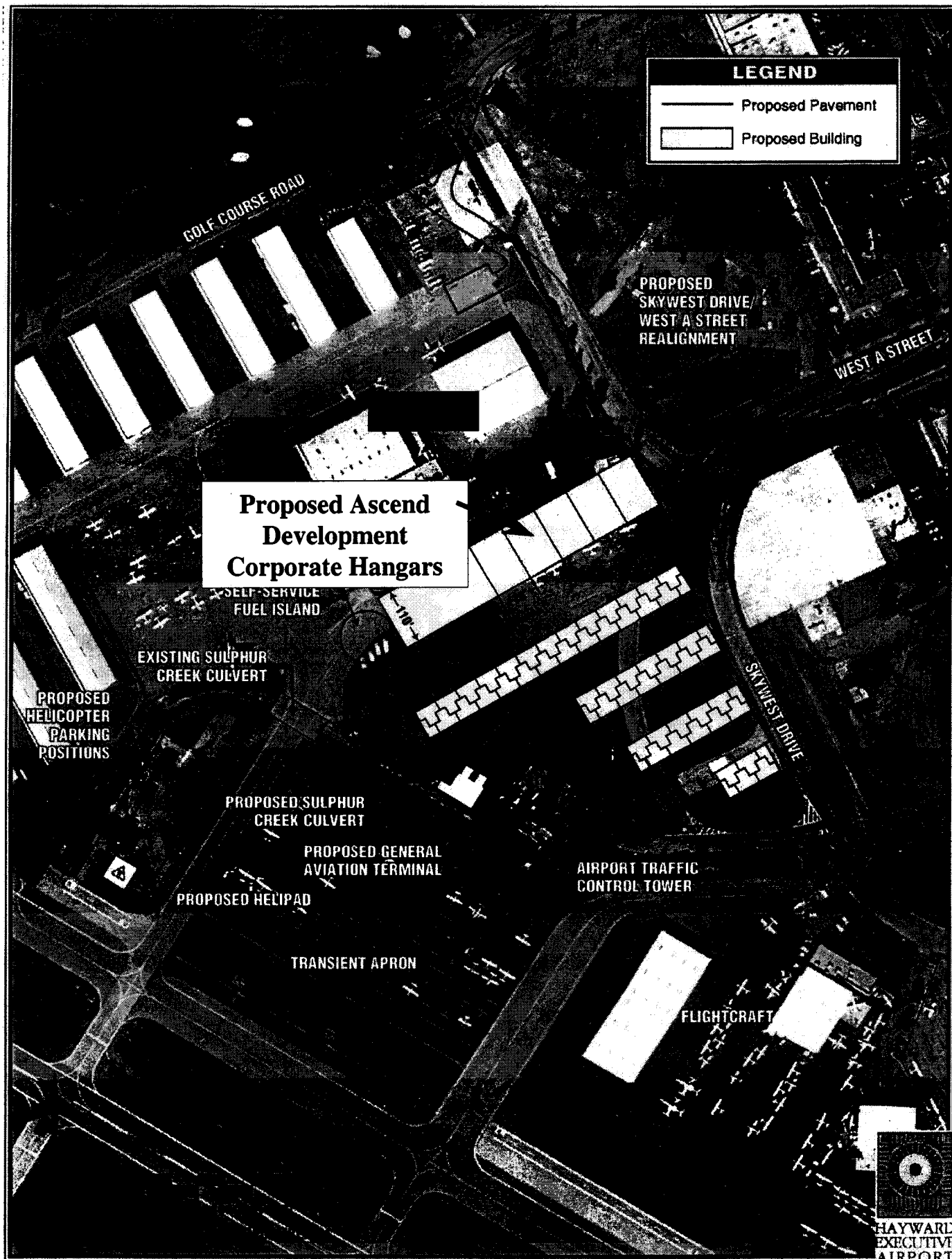


EXHIBIT A

Master Plan Hangar Concept



**DRAFT**

HAYWARD CITY COUNCIL



RESOLUTION NO. \_\_\_\_\_

Introduced by Council Member \_\_\_\_\_

**RESOLUTION AUTHORIZING THE CITY MANAGER  
TO EXECUTE A GROUND LEASE FOR  
DEVELOPMENT OF AIRCRAFT HANGARS ON  
PROPERTY AT THE HAYWARD EXECUTIVE AIRPORT**

WHEREAS, a lease extension with Flightcraft, Inc, an existing Airport tenant, was approved by the City several years ago with a condition that Flightcraft (currently Trajen Flight Support, Inc.) was obligated to construct aircraft-related facilities on the Airport with a minimum investment of \$2,500,000; and

WHEREAS, Ascend Development HWD, LLC, a subsidiary of Trajen Flight Support, proposed a plan for construction of corporate hangars on Airport property that would exceed the minimum investment of \$2,500,000 required of the lease extension; and

WHEREAS, the City conducted an environmental Initial Study for the project proposed by Ascend; and

WHEREAS, the City considers the project to be an independent project and separable from all other elements of the Master Plan Update pursuant to the California Environmental Quality Act (CEQA) and meets the standards for independent review established by CEQA Guidelines Section 15165.

NOW THEREFORE, BE IT RESOLVED that the City Council of the City of Hayward hereby approves the negative declaration for the Ascend Development hangar project.

BE IT FURTHER RESOLVED by the City Council of the City of Hayward that the City Manager is hereby authorized and directed to execute on behalf of the City of Hayward a Ground Lease with Ascend Development HWD, LLC for new corporate hangar development.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2001

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: \_\_\_\_\_  
City Clerk of the City of Hayward

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney of the City of Hayward